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C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 000629

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SUBJECT: DEFENSE MINISTER MCCALLUM AND THE CANADIAN FORCES

REF: OTTAWA 178

Classified By: Political Minister Counselor Brian Flora,
Reasons 1.5 (b) and (d).

SUMMARY

1. (C) Nine months into his tenure as Minister, John McCallum is starting to put his mark on the Department of National Defense. He was able to get a greater-than-expected increase in defense spending in the latest GoC budget, and he has announced a defense review to guide transformation of the Canadian Forces. McCallum's economics background and determination to find savings have helped him in Cabinet, specifically in the budget battle. His limited political and military experience has shown at times, and has caused some friction with the Canadian Forces and defense advocates. But McCallum has greater strategic vision and influence in Cabinet than his recent predecessors, and he is a consistent advocate for strengthening the U.S.-Canada defense relationship. END SUMMARY.

BUDGET VICTORY

2. (C) The GoC budget announced on February 18 was a real victory for McCallum, though he has gotten little credit from defense advocates here because the needs are so much greater. The baseline defense budget increased by US\$533 million per year (from US\$7.9 billion in the 2002-2003 budget) for three years, and McCallum has promised US\$133 million per year in administrative savings (e.g., greater efficiency in procurements). McCallum argues that one-fourth of all incremental spending in the 2003-2004 GoC budget went to defense, and that he could not have gotten more given competing domestic priorities (especially health care). McCallum asserts that DND got all that he was asking for, and all that it could use efficiently in 2003-2004. While we disagree with his argument that more was not justified - especially given the upcoming deployments to ISAF IV and V - his point about the limits on defense spending in the Chretien Government is certainly valid.

3. (C) Under these circumstances, McCallum did well in the 2003-2004 budget, but you would never have known it from his address to the Conference of Defense Associations (CDA) on February 27. McCallum grew visibly agitated as he fielded one critical comment after another about the budget and the pending deployment to Afghanistan. The audience's mood was not helped by the disclosure earlier in the week that the new budget eliminates future funding for the CDA. It is not yet clear whether this was simply a cost-cutting measure, or retribution for an organization that has loudly criticized the GoC's defense program for years.

OVERSTRETCHED CANADIAN FORCES

4. (C) While McCallum will not lose any sleep over veterans organizations, he does have to concern himself with Canadian Forces' morale. McCallum admitted to the CDA audience that some in the Army were unhappy over the decision to deploy to Afghanistan. Many in the Canadian Forces would have preferred a GoC commitment to contribute land forces in Iraq, and the size and duration of the ISAF commitment - a battalion and brigade headquarters for 12 months - will exacerbate the military's biggest problem, operational tempo. The Canadian Forces leadership was also upset because it had little or no advance warning of McCallum's February 12 ISAF announcement. Chief of Defense Staff GEN Henault told the CDA that the "content" came as no surprise, though it did lead one senior officer - MGEN Cam Ross, DND Director General of International Security Policy - to resign in protest.

5. (C) On the positive side, McCallum has made a concerted effort to bolster the U.S.-Canada defense relationship, which is crucial for the Canadian Forces. He pushed through a 2002 agreement for a binational, counterterrorist Planning Group at NORAD, despite sovereignty concerns in Ottawa, and has forced missile defense cooperation onto the Cabinet's agenda (outcome still to be determined).

¶6. (C) Within a divided Cabinet, McCallum has also advocated keeping open the option of military participation in Iraq - i.e., naval or air assets already in theater - without a second UNSC resolution. McCallum got burned, however, when he publicly stated that this was GoC policy after his January 9 meeting with Defense Secretary Rumsfeld. McCallum had it right, but Chretien has not wanted to admit publicly that Canada might act without UN blessing. After Chretien reined him in (reftel), McCallum overreacted by ordering Canadian military planners at CENTCOM to not attend a coalition planning meeting the following week. This unnecessary action, which did not reflect any change in GoC policy, damaged Canada's credibility for Iraq planning in Tampa and in Washington.

DEFENSE REVIEW

¶7. (U) Shortly after becoming Defense Minister, McCallum directed DND to undertake a "defense update" focused on immediate needs for the 2003-2004 budget cycle. As GEN Henault describes it, funding increases in the latest budget allow the Canadian Forces to shift their focus from survivability to sustainability. The next step will be transformation, and McCallum has said that a full-scale "defense review" will be conducted to guide that process. McCallum cautions that this may or may not result in increased funding for the military, but that it should point the way on bigger procurement decisions.

¶8. (U) On one of the military's biggest needs, strategic lift, McCallum has publicly stated that a stand-alone Canadian purchase of C-17s is not in the cards. His reasoning is that given limited GoC funding, purchasing C-17s would gut the defense budget, making it impossible to meet other needs. Instead, DND is looking into a combined purchase of C-17s with NATO allies. McCallum has also expressed doubts over the continued need for tanks, so long as the Army has some direct-fire capability (e.g., the planned U.S. combat system/mobile gun system). McCallum did, in the latest budget, allocate US\$467 million in funding over the next ten years for Intelligence, Surveillance, Target Acquisition and Reconnaissance (ISTAR).

LIBERAL PARTY LEGACY

¶9. (C) One procurement issue that continues to haunt the GoC is a replacement for its Sea King maritime helicopters, which entered service in 1963. In the 1993 campaign, Chretien attacked the Tory Government's plans to purchase EH-101 maritime helicopters as extravagant. After the election Chretien cancelled the deal, and he has stymied subsequent DND efforts to let a new contract. Meanwhile, the Sea Kings continue to diminish the Canadian Navy's effectiveness. The latest example came on February 27 when the Canadian Destroyer HMCS Iroquois, headed for a Canadian-led, combined naval task force in the Persian Gulf, had to return to Halifax after its Sea King crashed onto the deck. The Iroquois set sail again on March 5, this time with no helicopter,

¶10. (C) The Sea King fiasco is a reminder of the challenges the Canadian Forces will continue to face in Ottawa. While Chretien is set to step down in February 2004, we expect the Liberal Party to remain in power for the foreseeable future. While Chretien's successor - probably ex-Finance Minister Paul Martin - may be better disposed toward the Canadian Forces, he is also unlikely to make dramatic increases to the defense budget. McCallum and his successors will have to continue to make incremental moves and plenty of hard choices. The hope here is that a defense review can be ready to go soon after Chretien leaves office, and that the next Prime Minister will be more supportive of the Canadian Forces.

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